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SIPDIS

SENSITIVE

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TREASURY FOR OASIA/INL, DO/GCHRISTOPOLUS
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SUBJECT: CONGRESS PASSES EXXON-MOBIL TAX AMENDMENT

REF: A) Lima 3187 B) Lima 1660

1. (SBU) Summary. After almost a year of anticipation, the Congressional Plenary voted on October 6 in favor of the Ministry of Finance (MEF) amendment to the tax law, thereby granting Exxon-Mobil a \$15 million credit over the next three years. Under Peruvian law, President Toledo must approve the bill before it becomes law. According to Exxon-Mobil and our Congressional contacts, President Toledo is expected to sign the bill into law next week. End Summary.

Amendment to Tax Law Passed

2. (SBU) After almost a year of anticipation and continuous advocacy by Post, the Peruvian Congress voted in favor of a Ministry of Finance amendment to the tax law, which would grant Exxon-Mobil a \$15 million tax credit over the next three years for VAT paid on international fuel sales. The Congressional vote was 67-10 in favor of the bill. Exxon-Mobil representatives, who worked closely with the Peruvian Mining and Energy Society (SNMPE) to lobby key Congressmen, informed us that they are pleased with Congress' decision to support the bill.

3. (U) According to Peruvian law, the bill must be sent to President Toledo for his approval before becoming law. Because October 7 is a Peruvian holiday, the President of Congress will send the bill to the Executive for approval early next week.

Comment

4. (SBU) President Toledo understands the urgency of the MEF tax amendment. Not only will the new law help Exxon-Mobil, but it will also enable other companies that sell fuel for export to recoup VAT. The law will also improve Peru's investment climate by indicating that the GOP is willing to correct laws that deter investment. We expect President Toledo to sign the bill immediately.

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